Increased audits on application of the exemption to transfer withholding tax for R&D. Be prepared!

Belgium is among the top European countries in terms of research and development. A lot of support measures are provided for this, one of the most successful of which is the partial exemption to transfer withholding tax for researchers. Employers who can apply this system do not have to transfer up to 80% of the withholding tax deducted from the wages paid to their qualifying personnel to the Belgian Administration, which immediately provides them with additional resources for their activities.

However, in order to benefit from the system, quite a few conditions and formalities need to be fulfilled and a complex administration kept. Moreover, the legal framework is not always clear and precise, and practice shows that it is also not adapted to the reality of research and development. Finally, there is regular disagreement between the government departments involved (the tax administration and the BELSPO services).

In the meantime, the number of audits on the application of the support measure and the subsequent recoveries resulting from these checks is increasing sharply each year. The Belgian tax authorities are also taking an increasingly strict stance and do not hesitate to recover withholding tax not transferred. They can also impose fines of up to 200% in certain circumstances.

Therefore, it is important that you are well prepared for such an audit. Be sure to contact us so we can work with you to create a proactive risk assessment tailored to your business.

Contact one of our specialists below for more information.

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WHO?

- You are a Young Innovative Company (YIC)
- You are not a Young Innovative Company, but
  - You pay salaries to or award wages to researchers or employees with a particular doctorate or qualifying degree (listed for each Region)
  - You collaborate with (a) university(s) and/or other nonprofit research institutions
- You are a nonprofit research organization not covered by Social Maribel

WHAT?

- Fundamental research
- Industrial research
- Experimental development

RISKS

- Payment of the withholding tax not transferred with a retroactive effect of 5 years
- Increase of the amounts payable with a tax increase of 10% to 200%.

BENEFITS

- Exemption from the obligation to transfer withholding tax on the wages of qualifying personnel to the extent of:

	Small companies (*)	Other companies
Master degrees (***)	Max. 80% (**)	Max. 80% (**)
Bachelor degrees (***)	Max. 80% and limited to 50% of the amount of the exemption applied for qualifying master and/or doctoral degrees. (**)	Max. 80% and limited to 25% of the amount of the exemption applied for qualifying master and/or doctoral degrees. (**)

(*) Specific tax definition

(**) Dependent on the actual time spent

(***) No degree requirement for researchers employed in YICs